

FILED

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RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

ALIBABA.COM, INC.,

Plaintiff,

v.

LITECUBES, INC.,

Defendants.

No. C 03-5574 MHP

MEMORANDUM AND ORDER
Motion to Stay

On December 11, 2003, plaintiff Alibaba.com, Inc. ("Alibaba") filed a complaint in this court against defendant Litecubes, Inc. ("Litecubes"). In substantial part, Alibaba's complaint alleges that Litecubes violated section 2 of the Sherman Act, 15 U.S.C. § 2, and various provisions of California law when it attempted to monopolize the market for "illuminated ice cube" art on the basis of a putatively invalid copyright. For this supposed misconduct, Alibaba seeks a series of declaratory judgments, restitution, compensatory damages, treble punitive damages, and all relevant costs and fees. Now before the court is Litecubes' motion to stay this action pending disposition by another federal court of a pair of motions filed in a related suit. The court has considered the parties' arguments fully, and for the reasons set forth below, the court rules as follows.

BACKGROUND¹

Alibaba is the proprietor of "www.alibaba.com," an internet site designed to allow "business-to-business" marketing and commerce across a broad range of product categories. See Compl., ¶¶ 7-10.² Within the last year, a number of companies have used the www.alibaba.com platform to sell

1 illuminable ice-cube sculptures, that is, somewhat artistic forms displaying light cast through cubes
2 of synthetic ice. See Cutler Decl., ¶ 3. Litecubes is a prominent designer of such ice-cube
3 sculptures, and it claims to own a copyright registration for such designs. See id. at ¶ 2; cf. Pl.’s
4 Opp. at p. 3 (contesting Litecubes’ copyright ownership). After learning of the sales on Alibaba’s
5 website, Litecubes sent Alibaba a series of “take down” letters, asking Alibaba to stop auctioning ice
6 cube sculptures altogether; Litecubes also provided copies of its copyright registration. Id. Alibaba
7 did not respond to any of Litecubes’ letters, nor did it take steps to prevent subsequent sculpture
8 sales. Id. at ¶ 4.

9 On October 3, 2003, Litecubes filed an action in the United States District Court for the
10 Eastern District of Missouri, claiming that Alibaba had infringed—and continues to
11 infringe—Litecubes’ copyright. Id. Over two months later, on December 11, 2003, Alibaba filed
12 this action in this court. On the same day, Alibaba also filed a pair of motions in the Eastern District
13 of Missouri, the first asking that court to dismiss Litecubes’ suit outright (either for failure to state a
14 claim and for lack of personal jurisdiction), the second asking that court to transfer the Missouri
15 lawsuit to the Northern District of California. Id. at ¶¶ 5–7; see Fed. R. Civ. P. 12(b)(2) and
16 12(b)(6). The Eastern District of Missouri has set a briefing schedule for both of Alibaba’s motions,
17 both of which Litecubes opposes; Litecubes’ responses to both of Alibaba’s motions were due by
18 February 15, 2004. Id. Litecubes has now asked this court to stay the proceedings in this action until
19 the Eastern District of Missouri resolves the motions pending there.

20 DISCUSSION

21 District courts have long retained substantial discretion to stay civil actions where “it is
22 efficient for [the court’s] docket and [where it is] the fairest course . . . pending resolution of
23 independent proceedings which bear upon the case.” Yong v. I.N.S., 208 F.3d 1116 (9th Cir. 2000)
24 (citation omitted). Where two superficially similar actions have been filed in separate federal courts,
25 courts have often looked to the so-called “first-to-file” to determine if a stay of the latter-filed action
26 is appropriate. Under this first-to-file rule, stays are typically appropriate where three factors are
27 present: one, the action to be stayed was filed *after* the filing of the related action; two, the two
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1 actions involve significantly similar parties; and, three, the two actions involve significantly similar
2 issues. See, e.g., Alltrade, Inc. v. Uniweld Products, Inc., 946 F.2d 622, 623 (9th Cir. 1991). This
3 rule is not to be disregarded “lightly,” though courts have not applied it mechanically, either. See
4 Church of Scientology v. United States Dep’t of the Army, 611 F.2d 738, 750 (9th Cir. 1979)
5 (observing that, in this context, “courts are not bound by technicalities”).³

6 All three parts of the first-to-file test are satisfied here. Neither party disputes that Litecubes’
7 filing of a complaint in the Eastern District of Missouri *predated* Alibaba’s filing of a complaint in
8 this court. See Cutler Decl., ¶¶ 4–5; cf. Alltrade, Inc., 946 F.2d at 623. Nor does either party
9 legitimately dispute the congruence the parties and the core issues (viz., the validity of Litecubes’
10 copyright) in the two actions. Alibaba does, to be sure, assert that the two actions involve “different
11 factual and legal issues.” See Pl.’s Opp at p. 5. But Alibaba does not identify—let alone
12 discuss—factual and legal issues that are actually “different”; instead, Alibaba relies on an elliptical
13 claim that the relief sought here is more expansive than that sought in Missouri. Such claims do not
14 prove the issues (or parties) different. In fact, Alibaba itself has expressly acknowledged the
15 similitude of the relevant issues two times, once in the “Notice of Pendency of Other Actions” filed
16 with this court, and once in the motion to transfer submitted to the court in Missouri. See Notice of
17 Pendency, p. 2 (“Both Alibaba’s action in this District and Litecubes’ action in the Eastern District of
18 Missouri *involve a common nucleus of law and fact . . .*”) (emphasis added); Cutler Decl., Exh. A
19 (Alibaba’s Motion to Transfer) (“Litigation *between the same parties involving the same issue* –
20 copyright claims – is also pending [in the Northern District of California].”) (emphasis added); see
21 also Civ. Local R. 3-13.⁴ Under the standard first-to-file test, then, a temporary stay is appropriate.⁵

22 Furthermore, Alibaba’s later-filed suit is the kind of which affirmative defenses and counter-
23 claims are made. It seeks declaratory relief of non-infringement and invalidity; it asserts what is
24 often a counter-claim in infringement actions, an antitrust claim; and, for “good” measure it adds a
25 claim under section 17200 of the California Business & Professions Code. It is very telling, and the
26 court notes, that the lost race to the court house was responsive and defensive to Litecubes Missouri
27 action.

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24 often a counter-claim in infringement actions, an antitrust claim; and, for “good” measure it adds a
25 claims under section 17200 of the California Business & Professions Code. It is very telling, and the
26 court notes, that the lost race to the court house was responsive and defensive to Litecubes Missouri
27 action.

1 The court is mindful, of course, that Litecubes' suit in Missouri *may* suffer a number of
2 jurisdictional shortcomings. According to Alibaba, in fact, neither the parties nor the underlying
3 conduct have much, if anything, to do with Missouri, suggesting that the case should not be before
4 that court and that Litecubes has engaged in a "rank example of forum shopping." See Pl.'s Opp. at
5 p. 4–5 (claiming that only Litecubes' attorney has any connection to Missouri). Alibaba's
6 jurisdictional theories may be correct; they may not. Either way, Alibaba has made identical
7 arguments before the Missouri court, see, e.g., Pl.'s Opp., Exh. 1, and this court sees no reason to
8 preempt that court's consideration of the relevant jurisdictional issues. If the Missouri court lacks
9 jurisdiction (whether personal or subject matter), that court will grant Alibaba's now-pending motion
10 to dismiss pursuant Federal Rule of Civil Procedure 12(b)(2); likewise, if the Missouri court believes
11 that Litecubes has failed to state a colorable claim or that the action should be transferred, that court
12 will grant Alibaba's related now-pending motions. This court need not—and should not—make
13 such determinations on the Missouri court's behalf, jumping unnecessarily into the parties' race to
14 two separate courthouse doors.

15 The Supreme Court has "made quite clear that to permit a situation in which two cases
16 involving precisely the same issues are simultaneously pending in different District Courts leads to
17 the wastefulness of time, energy and money." Ferens v. John Deere Co., 494 U.S. 516, 531 (1990)
18 (citation omitted). All of the issues Alibaba asks this court to address (e.g., copyright validity, forum
19 shopping, inconvenience, the Missouri court's jurisdiction) have been raised before the court in
20 Missouri. See Alltrade, Inc., 946 F.2d at 628 (noting that issues of convenience and the like typically
21 "should be addressed to the court in the first filed action"). Little, if anything, will be gained by
22 miring this court in concurrent consideration of questions already before another federal court,
23 especially during this preliminary phase of the litigation. See Government Employees Ins. Co. v.
24 Dizol, 133 F.3d 1220, 1225 (9th Cir. 1998) (citations omitted); Church of Scientology, 611 F.2d at
25 750 ("Comity works most efficiently where previously-filed litigation is brought promptly to the
26 attention of the [second] district court, and [that] court defers.") (emphasis added). The Missouri
27 court will no doubt resolve the relevant issues in due course; until it does, this court finds a
28 temporary stay⁶ of this action appropriate.


1 CONCLUSION

2 Litecubes' motion to stay this action is GRANTED. The stay shall remain in effect at least
3 until the Eastern District of Missouri resolves Alibaba's motions to dismiss or to transfer in the
4 parties' separate lawsuit.

5 IT IS SO ORDERED.

6 Date:

7 *March 8, 2004*

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9 MARILYN HALL PATEL
10 Chief Judge
11 United States District Court
12 Northern District of California
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ENDNOTES

1. Unless otherwise noted, the factual background is culled primarily from the parties' moving papers.
2. Alibaba is a Delaware corporation with its principal place of business in Newark, California. See Compl., ¶ 7.
3. If a party has acted in bad faith, if the first-filed suit is plainly anticipatory, or if a party has engaged in transparent forum shopping, the first-to-file rule may be "relax[ed]." See, e.g., Ward v. Follett Corp., 158 F.R.D. 645 (N.D. Cal. 1994) (Whyte, J.) (adding that the rule can also be "relax[ed]" where the "balance of convenience weighs in favor of the later-filed action"); see also Alltrade, Inc., 946 F.2d at 628 ("[D]istrict court judges can, in the exercise of their discretion, dispense with the first-filed principle for reasons of equity. . . . The decision and the discretion belong to the district court.").
4. In this sense, Alibaba is attempting to have it both ways: On the one hand, when asking the Eastern District of Missouri to transfer the first-filed action to this court, Alibaba stresses the similarity of the two cases; on the other, when contesting Litecubes' request to stay the action before this court, Alibaba emphasizes the two cases' supposed dissimilarity. It is, at bottom, a facile attempt to play both sides of the relevant fence, and the court need not countenance it here.
5. That many courts seem to consider antitrust counterclaims (like those at issue in the Missouri action) to be *compulsory* when arising out of a common nucleus of fact only bolsters this conclusion. See Fed. R. Civ. P. 13; Minnetonka v. Sani-Fresh Int'l, Inc., 103 F.R.D. 377, 379–80 (D. Minn. 1984) (citation omitted); see also Adam v. Jacobs, 950 F.2d 89, 93 (2d Cir. 1991) (noting that "once a court becomes aware that an action on its docket involves a claim that should be a compulsory counterclaim in another pending federal suit, it will stay its own proceedings") (citation omitted); cf. Hydranautics v. Filmtec Corp., 70 F.3d 533, 536 (9th Cir. 1995) (holding that "[a] claim that patent infringement litigation violated an antitrust statute is a permissive, not a mandatory, counterclaim *in a patent infringement case* . . .") (emphasis added). Alibaba is correct, of course, that this court is not bound by the Minnetonka decision, just as Alibaba is correct that parts of California law may ultimately obtain. See Pl.'s Opp. at p. 6. But Alibaba's observations, however valid, are at best orthogonal to the relevant issue. The two actions involve the same parties and the core same issues. Alibaba has conceded as much, and the nuances of the particular counterclaims that may be brought do not undercut the consequent first-to-file conclusion.
6. It is worth noting that a *stay* offers a particularly equanimous course of action. The court has not dismissed Alibaba's action outright. Cf. Alltrade, Inc., 946 F.2d at 628–29 (reversing a dismissal and counseling the use of stays instead). Nor has the court addressed any of the underlying legal or factual issues. Should such review be necessary (in light of the Missouri court's action), this court will consider those issues at an appropriate time.